Forget OPEC and Russia: Keep Buying Canadian Oil Stocks

Description

As everybody probably knows by now, oil prices fell this week after Russia and OPEC (most notably Saudi Arabia) signaled an intention to increase supplies, causing the TSX to fall 31.49 points. But while the drop in the value of oil may have startled investors, the news comes on the back of the surge in oil prices that was manufactured in large part by OPEC, Russia, and others last year. This itself was an attempt to stabilize previously depressed oil prices; sharp-eyed investors should have seen what was coming.

So, should potential Canadian oil investors stay away during this ongoing volatility caused by artificially manipulated oil prices? Not at all. In fact, now would be a great time to buy up Canadian oil shares, as ongoing market fluctuations present new value opportunities here.

Turbulent times, to be sure, but don't bail just yet

The OPEC-Russia alliance controls 40% of the world's oil, so any new announcement from that quarter is bound to affect stock markets. Predictably, news that it's considering flooding the market with an extra 700,000 to 1.2 million barrels a day over the coming months has dragged markets down. With oil now at less than US$70 a barrel, the Canadian energy sector is taking a hit it could do without.

But this does not mean that investors should be staying clear of Canadian oil producers (or energy companies in general), which remain the backbone of the TSX and the smartest choice for diversifying and stabilizing a portfolio of cyclical and financial stock. Long-term oil supplies are going to continue to be strangulated by underspending in exploration and asset maintenance, while demand will remain high.

Additionally, many of the countries currently seeking to flood the market with their extra oil are politically volatile; comparatively level-headed Canadian oil may have its day yet if global conflict boils over and presents OPEC/Russia with supply challenges.

Cover yourself with Canadian oil this summer

A couple weeks ago, financial commentators were still looking forward to discounted oil shares and a rising oil price

. They woke up this week to a very different outlook, with energy companies incurring losses, and transport companies (and those that rely heavily on them) surging on the prospect of cheaper fuel.

But while the knock-on effect to Canada's energy sector is palpable, oil stocks are still one of your best lines of defence against long-term instability. Here are a few of the safest choices to consider.

Suncor Energy Inc. (TSX:SU)(NYSE:SU) should, by now, be at the top of anyone's list if they're looking to snap up some of the least nerve-wracking and most profitable Canadian oil stocks. It's a solid dividend-paying stock backed up by a cost-efficient and expansive management strategy, making this industry leader and investor favourite a great pick for the energy segment of your portfolio.

And don't forget diversified and acquisition-hungry **Vermilion Energy Inc.** (TSX:VET)(NYSE:VET), with its North American, European, and Australian operations, currently diving share price, and tasty 6.12% forward annual yield. Or consider **Bonavista Energy Corporation** (TSX:BNP), with reserves that far outstrip current production rates (good news if you're looking for longevity of assets) and 2.6% forward yield. These are two strong picks for your portfolio that you could add with Suncor stock for a cozy energy section.

The bottom line

Worldwide, oil has been somewhat neglected in the sense that new supplies and upkeep of existing facilities have seen institutional underspending across the board. Despite the new agreements by Russia and OPEC, this underspending is a trend that is set to dominate going forward, meaning that supply is going to continue to be depressed overall. This means good news for long-term oil prices and anyone who invests in Canadian oil this summer.

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